



Growing the Business to Grow the Inmate Workforce

STRATEGIC BUSINESS PLAN 2005



Prison Industry Authority

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State of California
Department of Corrections

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STRATEGIC BUSINESS PLAN

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**growing our annual business to \$200 million in
order to grow our work force by 25 percent within
the next five years**

MESSAGE FROM THE GENERAL MANAGER

To all staff within the Prison Industry Authority (PIA) and our valued customers:

The past few months since joining the PIA, have been one of major interest to me – from meeting many of PIA's dedicated staff to becoming more familiar with the specifics of our enterprises. Equally significant has been identifying the changes that PIA must make to become more profitable, ensure inmate success, and exceed customer expectations.

To address those challenges we embarked on developing an ambitious Strategic Business Plan—growing our annual business to \$200 million in order to grow our work force by 25 percent within the next five years. To accomplish such goals we further need to exceed customer expectations while streamlining our operations. Finally, because we understand the ambitious commitment we are making, and because we are mindful of our mission, we are imposing new measures of accountability. Overall, our plan is based on the concept that PIA must grow the business to advance inmate workforce development, because employed inmates mean safe prisons and safe communities. We are confident, following in the wake of our Youth and Adult Correctional Agency (YACA) that we will succeed in making effective changes.

A key ingredient of our plan is the collaborative participation of PIA staff. This process first began with an internal survey in September 2004 in which staff made several observations and recommendations such as streamlining business processes to improve effectiveness as well as producing quality products that meet the customer's specification. In November 2004, we further convened a three-day session of representative staff to discuss the strengths, weaknesses, opportunities, and threats to our organization. The three-day session also led to the creation of quality teams charged with creating plans for necessary improvements to address identified concerns. Our 2005 Strategic Business Plan represents the product of staff input, and provides specific direction for PIA—a confident vision, a clear mission, and achievable responsible goals.

This plan is a dynamic document and represents the first of three parts. We will subsequently update the plan to report on implementation activities, and to report on performance measures that will further our efforts in meeting our strategic goals.

I would like to thank all PIA staff for their contributions and dedication. I am confident that together we will complete our mission.



MATTHEW T. POWERS
General Manager
Prison Industry Authority

EXECUTIVE SUMMARY

INTRODUCTION

PIA contributes to DCR's management of prisons by providing inmates work assignments to alleviate idleness, a major cause of prison unrest. It also provides inmates with the opportunity to acquire or improve work habits and occupational skills.

The California Prison Industry Authority (PIA) is a State agency established into law as successor to the California Correctional Industries. Operating under the general oversight of the Prison Industry Board (Board), PIA was established to provide work assignments to the California Department of Corrections (and Rehabilitation) (DCR)¹ inmates in order to support prison safety, help reduce violence, reimburse victims, provide productive activities for inmates, and produce quality products. PIA contributes to DCR's management of prisons by providing inmates work assignments to alleviate idleness, a major cause of prison unrest. It also provides inmates with the opportunity to acquire or improve work habits and occupational skills.

PIA develops and operates manufacturing, agricultural, and service enterprises that provide work opportunities for inmates under the jurisdiction of DCR, and serves governmental agencies with products and services commensurate with their needs. It also seeks to create and maintain working conditions within enterprises, as much as possible like those that prevail in private industry, to assure assigned inmates the opportunity to work productively, to earn funds, and to acquire or improve effective work habits or occupational skills. Finally, PIA operates work programs for inmates that are self-supporting through the generation of sufficient funds from the sale of products and services to pay all its expenses, thereby avoiding the cost of alternative inmate programming by DCR.

Since 1983, when PIA was established to operate enterprises in ten prisons with total sales of over \$34 million, it has grown to over 60 services, manufacturing and agricultural enterprises operating at 22 of DCR's 32 institutions, with annual sales for FY 2004-05 projected to be approximately \$167 million and employing approximately 6,000 inmates. These industries produce a variety of goods and services including flags, coffee, shoes, printing services, signs, binders, eye wear, gloves, office

¹ The Youth and Adult Correctional Agency, as part of its strategic plan, has proposed renaming the Department of Corrections to the Department of Corrections and Rehabilitation.

PIA will operate more like a self-sufficient business where prices are competitive, where costs are controlled, and where only profitable enterprises are maintained.

furniture, license plates, clothing, cell equipment, and much more. PIA products and services are available to government entities, including federal, state, and local governmental agencies.

PIA continues to face the elimination of the mandatory use provision that requires State agencies to purchase from PIA. While this provision has been a safeguard for PIA, it has also served as a crutch. Thus, while revenues have been level they have also been self-limiting. Under this "*Strategic Business Plan*," PIA will operate more like a self-sufficient business where prices are competitive, where costs are controlled, and where only enterprises that balance profitability and employment are maintained. PIA believes that through this renewed sense of efficiency and profitability, it will be better able to more effectively meet the important goals of providing work habits and occupational skills for inmates that will better prepare them for the work force and improve their chances of success.

SERVICES AND PRODUCTS

As noted, PIA typically operates over 60 enterprises. Enterprises include services such as printing, bakery, and dental labs; manufacturing such as license plates, metal products and furniture; and agricultural activities such as dairy and crop farming. PIA seeks to expand or create new enterprises as a means to maintain its self-sufficiency and to develop additional training skills to inmates. However, the authority to expand into existing markets or enter into new markets is overseen by the Board. Quality control, cost, and delivery time for services and products has been a major concern to clients.

Overall PIA has been able to maintain its statutory self-sufficiency; however, its profitability has been diminished by losses incurred by some of its enterprises. For instance, last year, only eight of the 28 enterprises that had financial activity were profitable and were used to offset the losses of the other 20 enterprises. Since then, PIA has closed three of the unprofitable enterprises.

ORGANIZATIONAL STRUCTURE

The structure of PIA includes the following:

The Inmate Employability Program develops, implements, and evaluates training, certification, and other programs that increase inmate employability and to coordinate job placement activities with the DCR.

The Operations Division oversees all the Inmate Employability Program field functions, which are located in 22 DCR prisons and the Product Inventory Center in Sacramento. The division oversees more than 60 service, manufacturing, and agricultural industries.

The Marketing Division is the PIA customer's primary contact for price, product, and order information. The division has responsibility for product development, pricing, business analysis, promotions, sales, and customer service.

The Financial Operations Division manages all budgeting, accounting, and procurement activities for PIA. This includes the annual physical inventory and valuation of over 25,000 raw materials, work-in-process, and finished goods located at PIA facilities throughout the State.

The Human Resources Division is responsible for a wide range of personnel related activities in Recruitment, Examinations and Selections, Transactions, Training, Labor Relations, Equal Employment Opportunity, Workers' Compensation/Return-to-Work, Classification and Pay, Health and Safety, and Investigations.

The Information Systems Division maintains the entire Manufacturing and Accounting Planning System (MAPS), and microcomputer environments.

NEW DIRECTIONS

It is especially important to provide inmates more opportunities for training, job skills, and recruitment for those paroled.

For too long, PIA has relied on the mandatory use provision whereby State agencies must purchase from PIA. Moreover, PIA is still the authorized agency to provide State agencies with waivers when it cannot meet their needs. However, if PIA is to function like a profitable independent business it must not rely solely on that authority, but become the vendor of choice.

Because inmate needs will continue to increase, it is especially important to provide them more opportunities for training, job skills, and recruitment for those paroled. Thus, it is critical for PIA to maximize the revenues that it is allowed under regulation. That level of revenue that is authorized is a promising opportunity for PIA to grow its business.

PIA has already taken some actions to improve operational effectiveness and self-sufficiency. The General Manager has established a series of strategic initiatives involving organizational development, streamlining, and quality assurance which are intended to improve PIA's self-sustainment, and programs that impact inmate recidivism.

Profitability and self-sufficiency will allow PIA to further improve the chances of inmates succeeding once released from DCR's institutions.

Examples of activities being undertaken within these initiatives include reviewing all enterprises, analyzing the pricing structure and marketing plan, establishing tools to better track inmate employability and success, restructuring production lines, and establishing cross-functional teams to bring multi-disciplines to specific projects. Efforts are also underway to generate more revenues from the State's university and college systems, and from special districts. The primary purpose of all these efforts is to address current operational efficiencies that can result in improving quality, cost, and delivery time to our customers, which in turn will increase profitability.

In turn, the increased profitability and self-sufficiency will enable PIA to address inmate idleness and recidivism. Namely, profitability and self-sufficiency will allow PIA to extend the Inmate Employability Program "pipeline" in providing training programs to further improve the chances of inmates succeeding once released from DCR's institutions. That is, PIA is seeking to provide pre-training programs that will better prepare inmates to perform skills in enterprises for which they are assigned, and to establish work-study programs into which an inmate once paroled can enter.

VISION FOR THE FUTURE

“Grow the Business to Grow the Inmate Workforce”

PIA's vision is to be the country's leader for operating self-sufficient profitable enterprises, for being the government provider of choice for services and goods exceeding customer expectations, and for inmates' successful integration back into society through evidence-based programs that provide training and work opportunities.

MISSION

*“The mission of the PIA is to support
the California Department of Corrections' (and Rehabilitation)
public safety mission”*

PIA accomplishes its mission by providing inmates with job opportunities that reduce idleness and violence, and increase inmates' successful re-entry into society. PIA will accomplish its mission by operating self-sustaining, customer-focused enterprises to provide inmates alternatives and career enhancing job skills.

**PIA programs reduce idleness and violence, increase
inmates' successful re-entry into society, and are
evidence- based**

CORE VALUES

Customer Focused

Be the provider of choice for services and products by meeting customers' expectations for quality, cost, and time

Self-Sufficiency

Ensure all our enterprises add to our profitability and inmate skills

Team Work

Work as a team to ensure success by implementing a participative management style, and being dedicated and committed to our goals

Integrity

Conduct ourselves professionally, achieving the highest ethical standards, and extend our conduct to the humane management of inmates

Responsibility

Take responsibility for our actions and the consequences of all our programs and ensure that the effects of our program are well documented

Collaboration

Work with other inmate and parolee programs to ensure that they maximize opportunities for public safety

Staff Well-Being

Foster an environment that supports professional development and personal health of all staff, including inmates

Innovativeness

Develop work and training programs that will provide more opportunities to help inmates prepare for re-entry into society

KEY STRATEGIC INITIATIVES

PIA is facing significant challenges in being able to fulfill its statutory authority. Namely, several of its programs are not self-sufficient and must be supported by other profitable programs. Further, it is not able to clearly demonstrate its effectiveness in employing inmates and in reducing recidivism. These and other issues have brought into question PIA's performance and value. To address such concerns and provide a clearer direction, goals and strategies, PIA has identified a number of initiatives that it plans to pursue.

ORGANIZATIONAL DEVELOPMENT AND RESTRUCTURE

PIA needs to develop into a more effective organization that grows the employee and inmate workforce, facilitates its excellence, and that does not rely solely on mandates requiring constituent agencies to purchase from PIA. While such a mandate may ensure some level of business, it has also caused PIA to not grow beyond the State agencies. Moreover, due somewhat to conflicting goals, unproductive and non-profitable enterprises have been allowed to continue to operate.

STREAMLINING

There are various program and administrative areas that PIA must streamline in order to be more productive and be able to better meet its statutory requirements. Of primary significance to PIA is the need to restructure its programs in terms of criteria involving productivity, profitability, ability to effectively train inmates, impact on recidivism, and customer satisfaction. To achieve such parameters may require eliminating certain enterprises, consolidating factories, and redefining selection criteria for inmates. This initiative also envisions reorganizing enterprise management, and reforming administrative support systems.

CAPITAL INFRASTRUCTURE

In order to restructure its enterprises, and be more productive and competitive, PIA may have to invest to upgrade its equipment to what an inmate trainee once released would utilize in private industry. Additionally, PIA may have to restructure its operations to better utilize its present capital investments.

INFORMATION TECHNOLOGY

As PIA strives to improve and expand operations, one of the basic tools affecting staff productivity and management is information technology. Namely, there are limitations using MAPS not only to connect all PIA manufacturing enterprises but also to generate accounting and management reports. For instance, and where practical, use of bar coding must expand as a part of these changes. Additionally, field staff may not have necessary access to email or other technology tools that will assist their productivity.

QUALITY ASSURANCE

PIA is seeking to expand its market base and to move into new market segments, both of which will allow PIA to be more profitable and to provide opportunities to hire more inmates. However, before any expansion plans are considered PIA must ensure that its products and services meet or exceed quality standards that will ensure effective productivity and satisfied customers.

MARKET ANALYSIS

MARKET SIZE AND POTENTIAL

The market size and potential available to PIA is the main force behind PIA and pivotal to its success. PIA's current market is defined by the State of California statute as government agencies in the State of California, similar entities in other states, and exports to foreign countries. Under this authority, however, PIA has typically concentrated marketing and sales on traditional and stable markets that include State agencies and some local municipalities. Over the last several years PIA has lost market share in city and county business due to local vendors' more thorough understanding of customer requirements. Consequently, PIA's market is now mostly State agencies; DCR alone accounts for 47 percent of PIA's total annual revenues for FY 2003-04. PIA estimates revenues of \$167 million for FY 2004-05.

Historically, PIA has attempted to enter new markets only as existing markets decline or become unstable, and only to the extent that the markets are aligned with its products and services. In consideration of regulatory restrictions, PIA has current authority to sell up to approximately \$417 million for FY 2004-05.

PIA has a high probability of success in expanding its current markets.

Given that the State of California alone is budgeted to spend billions for FY 2004-05 in services and goods of the type provided by PIA, it has a high probability of success in expanding its current markets alone. Although PIA does not have an accurate spending analysis reflecting full market availability, individual markets have been identified and expansion plans are being explored where expansion has acceptable return on investment. PIA may also benefit from the Strategic Sourcing Initiative that the Department of General Services is developing to generate agency profiles that may further identify other potential markets.

In addition to its current market, PIA is expanding its markets to the University of California system, the California State University system, school districts, local municipalities, and joint powers agencies.

MARKETING INHIBITORS

For PIA to be able to take advantage of the potential in current and expanded markets, however, there are various areas that it needs to correct. For instance, PIA continues to be tagged with the negative perception regarding timeliness of delivery, the quality of products, and price competitiveness. Also, PIA is not always able to adjust quickly to changes in the market due to a variety of causes. Further, limited economies of scale may adversely affect costs and pricing, while the wide diversity of products and services that it currently is committed to delivering may stretch resources. Although there are actions that PIA is taking to address these issues, there are other limitations that may affect its ability to take further actions. Namely, its ability to meet current market demands may be disrupted by security needs, and its ability to enter new markets may be restricted by political influences and legal restrictions not generally affecting its private sector counterparts.

ALLIANCES

PIA often faces competition from providers that are deemed to be able to better deliver quality products, at a lower cost, and on time. The primary areas where PIA faces competition are in modular furniture and office supplies. To mitigate competition, PIA is continuing to develop alliances with its strategic State customers as well as building relationships with local municipalities. Additionally, PIA may seek to partner with some competitors in order to align its more profitable and productive enterprises and streamline their product lines, and work to establish work-study program opportunities for inmates once paroled.

MARKET AND SALES STRATEGY

PIA is taking actions to expand current markets and develop new ones. Namely, it is researching and evaluating customer needs, service expectations, market potential, characteristics, and other competitive information to identify areas for improvement. It is developing marketing, sales, and promotional plans to address key customer requirements, and expanding product standardization and centralized procurement to improve customer satisfaction. PIA is also improving its tools to better communicate and meet customer needs through such efforts as the Sacramento one-stop showroom where it displays products, has face-to-face interaction with customers, and is a point of purchase. Finally, PIA is strengthening strategic partnerships by showcasing DCR, and generating referrals, endorsements, and testimonials from other customers.

GOALS, OBJECTIVES, AND STRATEGIES

To achieve its future vision and address the key strategic initiatives that it has established, PIA has established four main strategic and business goals. These goals represent what PIA wants to accomplish during the next several years. They provide the basis for decisions about the nature, scope, and priority of the projects and activities PIA plans to undertake. The PIA goals are to:

ACHIEVE SELF-SUFFICIENCY

BUILD INMATE SUCCESS

EXCEED CUSTOMER EXPECTATIONS

PPROMOTE AND SUPPORT PRISON INDUSTRY AUTHORITY

GOAL 1: ACHIEVE SELF-SUFFICIENCY (PROFITABILITY)

Objective 1: Establish a forecasting, and financial performance and measurement system

Strategies

- a) Identify needed management tools such as annual and monthly budget and exceptions, profit and loss by unit and by enterprise, labor reporting, production labor standards, and various industry ratios
- b) Update information tools and capabilities to improve the accuracy, timeliness, and integrity of management reporting
- c) Establish an effective forecasting process to ensure timely and accurate data for decision-making

Objective 2: Develop a sales and marketing plan to generate \$200 million in sales

Strategies

- a) Create a differentiation strategy to make it easy for the customer to do business with PIA
- b) Retain and expand existing markets within State agencies by business unit and by enterprise in conjunction with current customer base
- c) Create "Innovations Business Teams" to expand into new markets for new and existing customers and commensurate products within California
- d) Communicate service and delivery standards, including competitive prices and special pricing structures that set PIA apart from the competition
- e) Manage a promotional campaign for current and new markets and customers

Objective 3: Streamline the organizational structure

Strategies

- a) Align organizational structure with performance goals
- b) Install accountability measures by assigning responsibility and establishing timelines
- c) Consolidate program and administrative responsibilities
- d) Eliminate non-profitable enterprises by ensuring a resources- to-return ratio

Objective 4: Maximize information technology and telecommunication

Strategies

- a) Improve the information delivery system to ensure that user needs for data and information are met
- b) Provide robust infrastructure and tools
- c) Establish an information security policy, and evaluate the need for an Information Security Officer

Objective 5: Reduce costs of goods sold

Strategies

- a) Implement best practices in procurement
- b) Maximize production capacity
- c) Improve productivity hours, infrastructure, and technological capabilities at all institutions
- d) Use optimal inventory, warehousing, and distribution models
- e) Benchmark acquisition, production, labor, packaging, and other costs such as overhead
- f) Consider coalition buying by establishing collaborative relationships with other industries and agencies
- g) Maximize disposal of non-used inventory
- h) Establish quality controls over all aspects of production

Objective 6: Reduce administrative expense organization-wide

Strategies

- a) Streamline functions, policies, and procedures
- b) Eliminate administrative overlap and inefficiencies
- c) Formulate and implement a risk management plan
- d) Enhance utility of all space assets

GOAL 2: BUILD INMATE SUCCESS

Objective 1: Foster relationship and cooperation with institutions

Strategies

- a) Work with all levels of the institutions to increase inmate productivity
- b) Generate input from institution staff on new industries and inmate activities
- c) Encourage communication with all levels
- d) Work with institutions to ensure that inmate selection is compatible with program goals.

Objective 2: Demonstrate quantitative and qualitative value of PIA programs

Strategies

- a) Implement evidence-based practices for pre-release and post-release programs
- b) Develop and implement a consistent inmate evaluation system to measure inmate success within PIA responsibilities
- c) Establish metrics for a post-release assessment and tracking system of PIA graduates
- d) Create recognition programs to highlight inmate successes

Objective 3: Collaborate with other inmate and parolee programs

Strategies

- a) Advance a DCR-wide association comprising all non-disciplinary programs such as the Bridging Education Program
- b) Establish DCR-wide responsibilities for each non-disciplinary program
- c) Develop transitional programs such as joint ventures with private industries and partnerships with communities
- d) Create a PIA Outplacement Program

Objective 4: Increase current inmate employability and employment

Strategies

- a) Create multi-tier inmate programs such as entry level/lead, manufacturing, and technical
- b) Define selection and qualification criteria used to assign inmates into the PIA Inmate Employability Program
- c) Modernize and maintain equipment to provide relevant training to inmates in preparation for real-world markets and opportunities
- d) Establish inmate employment levels for each enterprise based on current levels
- e) Establish a comprehensive and systematic training and development, and education program for inmates
- f) Increase number of new enterprises established

GOAL 3: EXCEED CUSTOMER EXPECTATIONS

Objective 1: Know current and potential customer base

Strategies

- a) Develop master demographic and financial information by prospective customer, customer volume, and incremental volume
- b) Perform on-going market analysis to identify future customers
- c) Anticipate the customers' needs through contacts, observations, and surveys
- d) Research and develop new product ideas to meet customer met and unmet needs

Objective 2: Provide competitive services and products

Strategies

- a) Develop policies for quality, pricing, and discounts
- b) Establish goals for on-time delivery
- c) Establish a system to track products returned for defects and damage
- d) Create a model for product standardization that can be used with selected customers
- e) Beat or meet the competition's assortment, price, quality, and delivery time

Objective 3: Develop and maintain strategic alliances

Strategies

- a) Promote communication channels at management and purchasing level
- b) Establish cross-functional teams including customers
- c) Establish a preferred vendor referral list to meet customer needs

Objective 4: Provide "customer-friendly" options

Strategies

- a) Create a "one-stop shopping" environment within PIA
- b) Streamline "on-line" services for easier use by customers and staff

Objective 5. Enhance customer service

Strategies

- a) Establish a customer service help desk to include a point of contact and a representative to handle customer complaints
- b) Track customer complaints and resolutions
- c) Analyze customer complaints

GOAL 4: PROMOTE AND SUPPORT PIA

Objective 1: Grow support for PIA programs

Strategies

- a) Leverage the professional and political communication network with YACA, DCR and the Board
- b) Increase government and public awareness of PIA
- c) Participate in State and national peer organizations
- d) Apply for public and private grant funding

Objective 2: Ensure a well-trained quality workforce

Strategies

- a) Develop a well-balanced staffing plan for State workforce and inmate workforce
- b) Align State workforce with enterprise workload and difficulty
- c) Facilitate necessary training and professional certifications

Objective 3: Continue on-going planning

Strategies

- a) Establish a quality assurance program using ISO 9000² standards
- b) Track performance measures
- c) Update strategic plan annually

Objective 4: Ensure PIA Program profitability and program compliance

Strategies

- a) Establish a program of regulatory compliance
- b) Conduct evaluations and take corrective actions
- c) Report on profitability and program compliance

² Quality management standards promulgated by the International Standards Organization

Objective 5: Recognize PIA accomplishments

Strategies

- a) Collaborate with business and community organizations to award individuals and business alliances
- b) Inform on the activities and successes of PIA-trained individuals
- c) Increase the number of published articles for the media

